

Meeting Climate Reporting Expectations

A Roadmap to Robotic Process Automation

Climate regulations are fast approaching, and organizations face a series of burning questions:



Are we prepared to share scenarios of how our operations will adapt to climate factors — including physical, legal, market and economic changes?



Is our company ready to **make disclosures on Scope 3 impact, the climate repercussions of assets we neither own nor control?**



Are we ready to do all of this in a timeline of months, rather than years?

Announcements in July 2021 by the U.S. Securities and Exchange Commission (SEC) and the Group of Seven (G7) indicate that measures like these are under consideration. What's more, these upcoming climate disclosures will be mandatory, not voluntary; they will likely cover both qualitative and quantitative information; and they are only a few of many sweeping changes on the horizon.

Such developments could spell trouble for banks and other financial services organizations relying on legacy systems for climate tracking and reporting. Robotic process automation (RPA) offers a powerful alternative. Read on to learn why — and how — it can help.

The Growing Intersection Between Climate and Finance

While sectors like mining, manufacturing, and oil and gas are often the first to come to mind when thinking about climate regulations and impact, financial services organizations — particularly banks — should be included on this list as well.

As just one example from the regulatory side, the [European Union's](#) new [Sustainable Finance Disclosure Regulation \(SFDR\)](#) requires investment companies to report the sustainability of the companies in which they are invested.

Meanwhile, supervisors and regulators have been [working collaboratively](#) in efforts such as the Network for Greening the Financial System.

In terms of internal efforts, Bloomberg reported in August that [20 major European banks](#) had, or were working on, models linking staff remuneration to sustainability metrics, in concert with anticipated requirements to add environmental, social and governance (ESG) risks to pay guidelines. In a [KPMG survey](#), nearly three-quarters of the global banking CEOs said they believed that their ability to anticipate and navigate the shift to a low-carbon, clean-technology economy would be critical to their future growth.

Thinking about climate is nothing new for the financial services sector. Large banks and other organizations have long been tracking:



The climate impact of their operations, such as the energy use of their buildings and the carbon footprint of their business travel



The climate impact of their investment decisions, from funding green projects to choosing to keep fossil fuel companies in their portfolios



The climate impact of their business operations, — for example, issuing a construction loan for a coal plant vs. for a wind farm

Many financial services organizations have been acting proactively on climate through:



Offering climate-focused investment products, like sustainable exchange-traded funds



Moving toward sustainable banking “green” underwriting, where lending terms are linked to sustainability metrics



Issuing “green” and “blue” bonds, that finance activities with environmental benefits

Banks are already familiar with climate issues. Operating in one of the most highly regulated industry sectors in the world, they also have incredibly sophisticated monitoring and reporting systems in place.

So why the sudden urgency to digitally transform climate reporting?

Legacy Systems Can't Connect the Dots — or Keep Up with Change

Many climate-reporting systems used by financial services organizations today are homegrown, several years old and highly specialized. It's difficult to add in new features and functionality as reporting demands evolve. Furthermore, few of these tools are capable of linking climate data to the commitments made across investment portfolios or expressed in marketing materials. This information exists in separate and disconnected systems.

“The importance of centralizing your climate data can't be overstated - the core benefit being able to 'collect once, reuse many times.' Demands from regulators will continue to grow and change, and shareholders and investors already have their own differing demands, which further complicates matters. Overloading high-value staff with the collection, aggregation and calculation of climate data for multiple frameworks using traditional workflow systems or spreadsheets is riskier and more error-prone than ever before. Only a purpose-built data collection tool designed for the evolving nature of climate reporting will suffice.”

Adrian Fleming,
ESG Commercial Director, Diligent



Where Legacy Systems Fall Short

Climate reporting requires a flexible, forward-looking system capable of handling diverse requirements. Legacy systems fall short in a number of ways:

- ✘ They are cumbersome, slow and unable to interact with other systems or keep up with new ways of working.
- ✘ They are siloed, with different functionalities residing in different areas of the system.
- ✘ They often don't have the functionality to keep abreast of the latest news and regulations, and don't provide insight into how peers and competitors are performing.
- ✘ They fail to keep pace with the growing volume of disclosure demands and reporting requirements.
- ✘ They can be expensive and time-consuming to run, diverting valuable organizational resources away from more important matters.

To understand why such inflexibility and disconnection are a problem, it's helpful to look at the Task Force for Climate-related Financial Disclosures (TCFD).

TCFD standards for climate reporting are increasingly popular worldwide and represent a new approach. The [G7 measures](#) mentioned above follow TCFD recommendations, and many governments worldwide are already adopting this framework, including New Zealand, Switzerland, the U.K., China, Australia and Hong Kong. Moreover, TCFD recommendations go beyond metrics and targets to encompass governance, strategy and risk management.

Investors are requesting data of similar scope and detail as well. Whereas previously a few statistics related to energy savings and recycling may have satisfied questions about sustainability, now investors want a more holistic view of how climate links to corporate strategy and risk, with rigorous detail and tangible progress linked to promises.

Do new portfolio investments meet SFDR guidelines? How does a new green bond or sustainable lending product impact overall corporate risk? Have shifts in return-to-work commutes and leasing arrangements altered the company's climate impact?

To answer questions like these confidently, banks need to be able to close the data gaps between what they say they're doing and what they're actually doing when it comes to climate. They need to connect the dots between climate and business strategy. Finally, they must be able to adapt swiftly to a growing volume of disclosure demands and reporting requirements — while maintaining accuracy, productivity and efficiency.

Because legacy systems weren't built for such work, this is where robotic process automation (RPA) comes in.

“You're going to need to be reporting on this for years to come,
and reporting at an even more detailed level.”

Matt DiGuiseppe
Vice President of Research & ESG, Diligent

RPA Rises to the Challenge

How does robotic process automation (RPA) accommodate the evolving demands of climate reporting?

First, RPA automates time-intensive and repetitive tasks — a big plus for increasing productivity and reducing human error. RPA runs data access, reporting and remediation tasks from end to end. Moreover, it does so as a layer across systems, bringing old and new together so organizations can leverage their legacy technology rather than adding on more systems or rebuilding their infrastructure from scratch.

RPA [enables integration](#) across departments and systems — take, for example, the many teams involved in issuing a green bond or managing a sustainability-focused exchange-traded fund (ETF). RPA [facilitates workflows](#), the series of tasks or processes that take a given job from start to completion. In a bank's climate activities, this could involve the processes involved in evaluating the carbon footprint of a facility or portfolio company or underwriting a “green” lending product.

For linking climate reporting to actual climate-related activities across operations, RPA empowers banks to deliver information in real time from a centralized resource with consistent rules — increasing both productivity and accuracy. Meanwhile, financing teams can refocus their time and attention on activities that require professional judgment, like taxation and balance sheet reporting and more complex budgeting and analysis.

A roadmap follows for where and how banks can integrate RPA into their ESG operations for greater visibility with respect to compliance and risk.



RPA 101

Robotic process automation (RPA) is technology that makes it easy to [build, deploy and manage](#) the software bots that automate repetitive tasks, such as [chatbots](#), web crawlers and rule-based automation bots. RPA, like most automated processes, runs on rule-based logic, the use of human-made rules to run desired actions.

RPA often works in tandem with artificial intelligence (AI), the ability of a computer or computer-controlled robot to perform tasks commonly associated with intelligent beings, and machine learning (ML), [a type of AI](#) that automatically learns from and improves from experience. Both AI and ML operate via algorithms, [sets of rules](#) given to an AI program to help it learn on its own.

Understanding RPA Capabilities



Gathering, preparing and analyzing information: Where do climate-related risks lie within your organization? Answering this question starts with collecting data, identifying its sources, standardizing its format for analysis and more. RPA streamlines the tedious process of extracting data across multiple systems and “cleaning it up” with minimal human intervention.



Monitoring: When are internal operations or customer risk scores exceeding climate performance, risk or control thresholds? RPA alerts you more swiftly than any human-powered processes. Simply create robots for key performance, risk and compliance indicators based on your organization’s internal parameters and external compliance requirements — then set the bots free to detect any anomalies or red flags.



Reporting: RPA-powered dashboards and visualizations bring decision-makers the right data at the right time. Boards and executives get the holistic, real-time insight they need for strategic decisions. RPA-powered reporting also makes financing teams happier by helping them shift attention toward tasks requiring deep interpretation and analysis — where they deliver the most value — instead of on the high-stress assembly of time-sensitive climate reports, disclosures and presentations.



Acting: With RPA, you can initiate an appropriate remediation workflow from any source, from digital records to the executive dashboard.



Automating: When RPA flags records, they automatically go to the right departments and decision-makers for human review and remediation. Any rules-based task that involves consistent and repeatable steps driven by templates, with data entered into specific fields, is a candidate for automation.



Learning: RPA supports advanced and predictive analytics, empowering banks to swiftly and effectively identify and act upon future trends.

A Roadmap for RPA Implementation

Given the many areas where climate issues and data impact bank operations — and where RPA can help — it's easy to feel overwhelmed. Prioritize your efforts with the following steps:

- ❑ Build a list of time-consuming, repetitive tasks in your climate-related operations. One place to start is with the spreadsheets teams use on a daily or weekly basis.
- ❑ Calculate how much time staff currently spend manually collecting and analyzing data — and troubleshooting issues — in these areas.
- ❑ Consider the accuracy of your climate reporting, both internal and external. Where are you least confident that teams are collecting the most up-to-date, relevant data?
- ❑ Identify your biggest pain points in climate-related data collection and analysis. Deadlines? Document versioning issues?
- ❑ Map the problem areas above against the goals of individual finance teams and the entire organizations.

With these automation opportunities identified, you will have a solid framework for the next step: evaluating and selecting RPA technology solutions. And there's no better time than now to begin this process.

With RPA, banks and other financial services organizations can achieve this reporting — and stay ahead of upcoming regulatory mandates as they evolve.

Learn more about leveraging RPA for increased accuracy and efficiency in your climate monitoring and reporting.

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